DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 30, 2010
POSITION: Oppose

BILL NUMBER: AB 2114
AUTHOR: J. Beall
RELATED BILLS: AB 324

BILL SUMMARY: Aging: Elder Economic Security Standard Index

This bill would require the California Department of Aging (CDA) to report Elder Index data for each service area in its State Plan. It would also require each Area Agency on Aging (AAA) to report Elder Index data for each planning and service area (PSA) in its Area Plan. No such requirement will be imposed on CDA or local AAAs if the Elder Index is not updated and made available to them. The bill also requires the CDA to use the Elder Index to track state-administered Senior Community Service Employment Program (SCSEP) participants' progress toward economic stability. This bill specifies there will be no mandated changes to funding allocations for AAAs or the CDA and would not require any changes or funding to established programs.

FISCAL SUMMARY

This bill would result in a minimal workload increase upon the CDA. The department's support costs would be absorbable within existing resources. However, expanding the requirements on the measuring of need would place additional pressure on the AAA's limited administrative resources. The Governor's Budget for 2010-11 includes $8.3 million General Fund for CDA local assistance.

Although this bill specifies that there is to be no mandated changes in funding allocations and does not affect means-tested Older Californians Act programs, requiring the use of the proposed Elder Index would likely identify a greater number of seniors possibly eligible for CDA services over the current system of measurement. This would create unknown but significant General Fund cost pressures, preliminarily estimated to be up to millions of dollars, to expand programs for the elderly.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the March 18, 2010 version are minor and do not alter our position.

COMMENTS

The Department of Finance opposes this bill for the following reasons:

- This bill may be unnecessary because local agencies can already use the Elder Index data in their planning efforts and the federal Department of Labor (DOL) already requires use of established measures to track SCSEP participants' progress.
- This bill would likely create unknown but significant cost pressures (potentially up to millions of dollars in total funds, and including hundreds of thousands General Fund) to expand services. This bill and budget do not contain funding for this particular purpose.

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Governor's Office:	By:	Date:	Position Approved_______
			Position Disapproved

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- The Governor vetoed similar legislation (AB 324) because local agencies could already access and use the Elder Index in their planning efforts without a statutory mandate, and because the bill would create General Fund cost pressures at a time when there was no ability to increase service levels.

ANALYSIS

A. Programmatic Analysis

Under current law, the AAAs conduct regular needs assessments for program planning in their local areas. This information is used by the CDA in developing its comprehensive state plan used for guiding statewide policies. The Federal Poverty Level (FPL) is used as a primary indicator and measurement of the incidence of poverty among the elderly.

This bill would require AAAs to utilize the Elder Index, a new benchmark of income adequacy for seniors, in service planning. It also would require and the CDA to report the Elder Index for each AAA in the state plan. These requirements are contingent upon the Elder Index being updated and made available to the CDA and AAAs. This bill would also require the CDA to use the Elder Index to track state-administered SCSEP participants' progress toward economic stability.

Discussion: The Elder Index methodology was developed by Wider Opportunities for Women (WOW), in Washington, DC, and the Gerontology Institute at the University of Massachusetts-Boston, and applied by the UCLA Center for Health Policy Research with 2007 data. The current index is available at the WOW website at: http://www.wowonline.org/ourprograms/eesi/.

Proponents of the bill argue that legislators struggle to create effective policies because they do not have an accurate picture of what it takes for seniors to make ends meet in the current economy. The purpose of this bill is to implement a new benchmark of income adequacy for seniors, providing a more accurate and valid cost measurement for meeting basic needs and maintaining independence. The FPL is based primarily on minimal costs for food. It does not take into consideration the variety of factors that affect the total cost of living in various regions, or the circumstances that are specific to seniors.

According to a study by the University of California, Los Angeles, the FPL guidelines cover less than half of the basic living costs incurred by people over the age of 65. The Elder Index is based on the daily costs for housing, food, out-of-pocket medical expenses, transportation, and other necessary costs. It can also be calculated specifically for each of California's 58 counties. The Elder Index indicates that many older Californians whose income is above the FPL do not have enough income to meet their basic needs.

B. Fiscal Analysis

This bill would increase workload for the CDA to review AAA plans and incorporate the Index into the state plan. Costs for this additional workload would be minimal and absorbable within existing resources. However, expanding the requirements on the measuring of need would place additional pressure on the AAAs limited administrative resources given recent funding cuts.

As indicated above, recent calculations of the Elder Index indicate that many older Californians whose income is above the FPL guidelines still do not have sufficient income to adequately meet basic needs and remain independent. This bill would specify that the requirements shall not be construed to mandate changes in local funding allocations or affect means-tested Older Californians Act programs. As such, the bill would not have a direct impact on program costs. However, the AAA plans and CDA state plan would have to acknowledge that a greater number of seniors do not have the income to

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meet basic needs. These circumstances could create an indirect pressure to expand the number of clients served, and thereby increase pressure on the state General Fund at a time when State resources are scarce. By identifying more seniors that could be eligible for assistance and not increasing funding for these programs, the most vulnerable and needy seniors already living below the current measure, the FPL, would have increased competition for current resources. For example, according to the CDA State Plan, an estimated 10.4% of California's estimated 6.4 million seniors (age 60+) live below the FPL, or roughly 665,400 individuals. Total funding for the CDA Local Assistance programs in the FY 2010-11 proposed budget is $159.5 million total funds ($8.3 million General Fund), which is an average of $239.63 per senior living below the FPL. Assuming the Elder Index identifies 33,250 more potential participants, a mere 5% increase over the number of estimated seniors living below the FPL, increased cost pressure would equal roughly $8 million total funds ($415,000 General Fund, if current funding ratios result, and possibly more if the General Fund has to pick up a greater share of program costs).

Also, the bill indicates AAAs would be required to use the Elder Index to track State-administered SCSEP participants' progress. The federal DOL already requires use of the SCSEP Performance and Results Quarterly Progress (SPARQ) Report, which establishes measures to track SCSEP participants' progress. Using the Elder Index would establish a different system to track SCSEP participant's progress contrary to federal guidelines.

	SO	(Fiscal Impact by Fiscal Year)							
Code/Department	LA	(Dollars in Thousands)							
Agency or Revenue	CO	PROP							Fund
Type	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	Code
4170/Dept Aging	SO	No		------------------- No/Minor Fiscal Impact -------------------					0001
4170/Dept Aging	LA	No		-----Annual pressure in the hundreds of thousands----					0001